

AMENDED IN SENATE APRIL 22, 2014

AMENDED IN SENATE MARCH 24, 2014

SENATE BILL

No. 1210

Introduced by Senator Lara
(Coauthors: Senators Correa, De León, and Steinberg)

February 20, 2014

An act to add Article 23 (commencing with Section 70030) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to postsecondary education.

LEGISLATIVE COUNSEL'S DIGEST

SB 1210, as amended, Lara. Postsecondary education: California ~~Student Education Access~~ *DREAM* Loan Program.

Existing law establishes the University of California, under the administration of the Regents of the University of California, and the California State University, under the administration of the Trustees of the California State University, as 2 of the segments of public postsecondary education in this state. Existing law authorizes the regents and the trustees to require that mandatory systemwide fees and tuition, among other fees, be paid by students at campuses of the University of California and the California State University, respectively.

This bill would establish the California ~~Education Access~~ *DREAM* Loan Program. The bill would provide that, commencing with the 2015–16 academic year, a student attending a participating campus of the University of California or California State University may receive a loan, referred to as a ~~State Education Access Loan (SEAL)~~, *DREAM loan*, through the program if the student satisfies specified requirements, including a requirement that the student be exempt from paying nonresident tuition or meet equivalent requirements adopted by the

regents. The bill would require the Student Aid Commission, in collaboration with the participating campus, to certify that the student satisfies these requirements. The bill would require the student to affirm in writing that he or she satisfies one of these requirements, and would require the student to authorize the commission to access any information pertinent to certify that the student satisfies these requirements. The bill would require a participating campus to determine the amount of the loan offered to an individual student by the campus, subject to enumerated specifications.

The bill would state the intent of the Legislature that funds shall be appropriated in the annual Budget Act each fiscal year, commencing with the 2015–16 fiscal year, to participating campuses based upon the number of eligible students attending each respective campus who submitted a specified financial aid application during the prior academic year. The bill would require a participating campus to deposit these funds in a ~~SEAL DREAM~~ revolving fund established by each campus, subject to specified exceptions. The bill would require each participating campus to contribute its discretionary funds into its ~~SEAL DREAM~~ revolving fund so that the ~~campus's~~ *campus's* contribution equals or exceeds 25% of all funds in the campus's ~~SEAL DREAM~~ revolving fund at the start of each academic year before ~~SEAL DREAM~~ loans are awarded for that academic year. The bill would require the California State University and the University of California to annually report to the Legislature as part of their respective annual financial aid reports the dollar amount of each ~~SEAL DREAM~~ loan awarded and number of students for whom a ~~SEAL DREAM~~ loan was awarded that academic year, *and require each participating campus to annually report the total amount of funding in the institution's DREAM revolving fund, the annual amount contributed by the state, and the annual amount contributed by the institution to the institution's DREAM revolving fund, and the annual administrative costs of the DREAM Program at the institution.*

The bill would require a participating campus to determine a student's eligibility for a ~~SEAL DREAM~~ loan, award ~~SEAL DREAM~~ loans to students, and establish mechanisms for recording the annual amount of the ~~SEAL DREAM~~ loan borrowed by each recipient, and the aggregate amount of ~~SEAL DREAM~~ loans borrowed by each recipient.

The bill would require the trustees and request the regents to adopt regulations providing for the withholding of institutional services from current and former students who have been notified in writing that they are in default on DREAM loans.

The bill would provide that each participating campus is entitled to an administrative cost allowance to equal a specified amount for an award year if the campus advances funds through the ~~SEAL program~~ *DREAM Program* to students that academic year.

The bill would provide that if a state court finds that a specified provision of this program or similar provision adopted by the Regents of the University of California is unlawful, the court may order, as equitable relief, that the participating campus subject to the lawsuit terminate all loans awarded pursuant to that provision without money damages, loans, or other retroactive relief being awarded, and that the California State University and the University of California are immune from any imposition of money damages, loans, or other retroactive relief for actions taken under this program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. This act shall be known, and may be cited, as the
- 2 California ~~State Education Access~~ *DREAM* Loan Act.
- 3 SEC. 2. The Legislature finds and declares all of the following:
- 4 (a) California has expanded access to higher education for
- 5 thousands of hard-working, high-achieving students who attended
- 6 and graduated from a California high school but were ineligible
- 7 to pay in-state tuition and fees to attend a campus of the California
- 8 State University and the University of California, including many
- 9 students who were denied access to state financial aid or financial
- 10 aid offered at these campuses.
- 11 (b) Since 2002, students have been exempt from paying
- 12 nonresident tuition and fees at the California Community Colleges,
- 13 the California State University, and the University of California
- 14 pursuant to Section 68130.5. Commencing in 2011, these students
- 15 were eligible for state financial aid or financial aid offered by these
- 16 public institutions. Nevertheless, many of these students remain
- 17 ineligible for federal student aid for reasons beyond their control.
- 18 Lack of access to federal student loans presents a substantial barrier
- 19 for these students to obtain a baccalaureate degree from the
- 20 California State University or the University of California.
- 21 (c) The California ~~State Education Access~~ *DREAM* Loan Act
- 22 (~~California SEAL Act~~) addresses this barrier by providing access

1 to additional state aid so students may take full advantage of the
2 educational opportunities offered at the California State University
3 and the University of California.

4 (d) The California-~~SEAL~~ *DREAM Loan* Act represents an
5 important step in the state's ongoing efforts to provide access to
6 all academically qualified students pursuing the dream of a college
7 or university degree. Through the enactment of this measure,
8 California will keep faith with the state's longstanding promise to
9 make higher education accessible and affordable to every qualified
10 student.

11 SEC. 3. Article 23 (commencing with Section 70030) is added
12 to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education
13 Code, to read:

14
15 Article 23. California-~~Student Education Access~~ *DREAM Loan*
16 Program
17

18 70030. This article shall be known, and may be cited, as the
19 California-~~Student Education Access~~ *DREAM Loan Program*.

20 70031. The California-~~State Education Access~~ *DREAM Loan*
21 Program, which may also be referred to as the ~~SEAL program~~
22 *DREAM Program*, is hereby established.

23 70032. As used in this article, the following terms have the
24 following meanings:

25 (a) An "academic year" is July 1 to June 30, inclusive. The
26 ~~starting~~ *start* date of a session shall determine the academic year
27 in which it is included.

28 (b) "Award year" means one academic year, or the equivalent,
29 of attendance at a qualifying institution.

30 (c) "Commission" means the Student Aid Commission.

31 (d) "Cost of attendance" means the student's tuition and fees,
32 books and supplies, living expenses, transportation expenses, and
33 any other student expenses used to calculate a student's financial
34 need for purposes of federal Title IV student aid programs.

35 (e) "Enrollment status" means part-time status or full-time status
36 of a student at a qualifying institution.

37 (f) "Expected family contribution" means a student's expected
38 family contribution calculated according to the federal
39 methodology pursuant to subdivision (a) of Section 69506 (as

1 established by Title IV of the federal Higher Education Act of
2 1965, as amended (20 U.S.C. ~~Sees.~~ *Sec.* 1070 et seq.)).

3 (g) “Financial need” means a student’s financial need calculated
4 pursuant to the federal financial need methodology (as established
5 by Title IV of the federal Higher Education Act of 1965, as
6 amended (20 U.S.C. ~~Sees.~~ *Sec.* 1070 et seq.)).

7 (h) “Instructional program” means a program of study that
8 results in the award of a baccalaureate degree or undergraduate
9 certificate, or undergraduate coursework in a program of study
10 leading directly to a first professional degree for which no
11 baccalaureate degree or undergraduate degree is awarded.

12 (i) “Participating institution” means any campus of the California
13 State University or the University of California that elects to
14 participate in the ~~SEAL program~~ *DREAM Program* pursuant to
15 the requirements specified for a qualifying institution as set forth
16 in this article.

17 (j) “Satisfactory academic progress” means those criteria
18 required by applicable federal standards published in Title 34 of
19 the Code of Federal Regulations. A participating institution may
20 adopt regulations defining “satisfactory academic progress” in a
21 manner that duplicates those federal standards.

22 70033. (a) Commencing with the 2015–16 academic year, a
23 student attending a participating institution may receive a loan
24 under the ~~SEAL program~~ *DREAM Program* if the student satisfies
25 all of the following requirements:

26 (1) The student is exempt from paying nonresident tuition under
27 Section 68130.5, or meets equivalent requirements adopted by the
28 Regents of the University of California.

29 (2) The student applies for financial aid using the application
30 established by the ~~California~~ Student Aid Commission pursuant
31 to subdivision (b) of Section 69508.5, known as the Dream Act
32 Application.

33 (3) The student is enrolled at least half time in good standing
34 in an instructional program at a participating institution.

35 (4) The student is determined by the participating institution to
36 have financial need.

37 (5) The student maintains satisfactory academic progress at the
38 participating institution.

39 (6) The student is not incarcerated.

(7) The student is not in default on any federal student loan, state student loan, or student loan issued by the California State University or the University of California.

(8) The student is enrolled in a program eligible for participation in the Cal Grant Program.

(b) (1) The Student Aid Commission or the participating institution shall require the student to affirm in writing that he or she satisfies the requirements of paragraph (7) of subdivision (a).

(2) A student seeking an award shall authorize the Student Aid Commission to access any information pertinent to certify that the student meets the requirements of subdivision (a).

(c) The Student Aid Commission, in collaboration with the participating institution, shall certify that the student satisfies all of the requirements specified in subdivision (a) before the participating institution may issue an award to the student pursuant to this article.

(d) The Legislature finds and declares that this article is a state law within the meaning of Section 1621(d) of Title 8 of the United States Code.

70034. (a) The amount of the ~~SEAL~~ *DREAM* loan offered to an individual student by a participating institution shall be determined by the institution, subject to the following provisions:

(1) The loan may not exceed the financial need of the student.

(2) No student may borrow more than four thousand dollars (\$4,000) under this program within a single academic year.

(3) No student may borrow more than twenty thousand dollars (\$20,000) in the aggregate under the program from any one participating institution.

(b) The interest rate for loans issued under the program shall be the same as the then-current interest rate for undergraduate loans under the William D. Ford Federal Direct Loan Program; ~~plus 2 percentage points.~~

(c) The standard repayment term for a ~~SEAL~~ *DREAM* loan shall be 10 years. Repayment shall commence following a six-month grace period that begins when a student graduates or ceases to maintain at least half-time enrollment in a ~~baccalaureate~~ degree or ~~undergraduate~~ certificate program.

(d) Interest shall not accrue on a ~~SEAL~~ *DREAM* loan during periods of at least half-time enrollment in a ~~baccalaureate~~ degree

1 or undergraduate certificate program or during the six-month grace
2 period specified in subdivision (c).

3 (e) Eligibility for deferment or forbearance of a ~~SEAL~~ *DREAM*
4 loan shall be determined by the participating institution in
5 accordance with the standards set ~~for~~ *forth* in the William D. Ford
6 Federal Direct Loan Program.

7 (f) Participating institutions shall use a common promissory
8 note, approved by the Treasurer, to issue ~~SEAL~~ *DREAM* loans.

9 70035. (a) It is the intent of the Legislature that, each fiscal
10 year, funds shall be appropriated in the annual Budget Act to
11 participating institutions for purposes of the ~~SEAL~~ program.
12 *DREAM Program*.

13 (b) The annual Budget Act shall allocate funding to participating
14 institutions based on the number of eligible students attending the
15 institution who applied for student financial aid pursuant to Section
16 69508.5 the prior academic year.

17 (c) Each participating institution shall deposit funds appropriated
18 pursuant to subdivision (a) in a ~~SEAL~~ *DREAM* revolving fund
19 established by each institution, subject to subdivision (e). ~~SEAL~~
20 *DREAM* loans shall be awarded from, and ~~SEAL~~ *DREAM* loan
21 repayments shall be deposited into, these revolving funds.

22 (d) Each participating institution shall annually contribute
23 discretionary funds into its ~~SEAL~~ *DREAM* revolving fund so that
24 the institution's contribution of funds equals or exceeds 25 percent
25 of all funds in the institution's ~~SEAL~~ *DREAM* revolving fund at
26 the start of each academic year before ~~SEAL~~ *DREAM* loans for
27 that academic year are awarded.

28 (e) A participating institution shall not receive any additional
29 state funds if the receipt of these funds would reduce the percentage
30 of the ~~SEAL~~ *DREAM* revolving fund derived from the institution's
31 contribution of funds to less than 25 percent of all funds in the
32 institution's ~~SEAL~~ *DREAM* revolving fund as described in
33 subdivision (d).

34 (f) ~~In the event that an institution terminates its participation in~~
35 ~~the SEAL program, outstanding SEAL loans awarded by the~~
36 ~~institution shall be assigned to the state, and the institution shall~~
37 ~~return the funds remaining in its SEAL revolving fund except the~~
38 ~~discretionary funds provided by the institution pursuant to~~
39 ~~subdivision (d).~~

(f) (1) *In the event that an institution terminates its participation in the DREAM Program, the institution shall continue to service DREAM loans, collect DREAM loan repayments, and perform all due diligence required by the federal Fair Credit Reporting Act (15 U.S.C. Sec. 1681 et seq.) until the last students at that institution issued loans under the DREAM Program prior to the institution terminating its participation have repaid their loans.*

(2) *An institution described in paragraph (1) that terminates its participation in the DREAM Program, shall annually repay all funds provided by the state as the institution collects DREAM loan repayments.*

(g) (1) *The California State University and the University of California shall annually report to the Legislature as part of their respective annual financial aid reports the dollar amount of each ~~SEAL~~ DREAM loan awarded and number of students for whom a ~~SEAL~~ DREAM loan was awarded that academic year.*

(2) *Each institution, including an institution described in subdivision (f), shall annually report all of the following:*

(A) *The total amount of funding in the institution's DREAM revolving fund.*

(B) *The annual amount contributed by the state to the institution's DREAM revolving fund.*

(C) *The annual amount contributed by the institution to the institution's DREAM revolving fund.*

(D) *The annual administrative costs of the DREAM Program at the institution.*

70036. Each participating institution is responsible for all the following:

(a) The participating institution shall determine a student's eligibility for a ~~SEAL~~ DREAM loan.

(b) The participating institution shall award ~~SEAL~~ DREAM loan funds to students.

(c) The participating institution shall provide entrance and exit loan counseling to borrowers that is generally comparable to that required by federal student loan programs.

(d) The participating institution shall service ~~SEAL~~ DREAM loans, collect ~~SEAL~~ DREAM loan repayments, and perform all of the due diligence required by the *federal* Fair Credit Reporting Act (15 U.S.C. Sec. 1681 et seq.).

(e) The participating institution shall establish mechanisms for recording the annual amount of the ~~SEAL~~ DREAM loan borrowed by each recipient, and the aggregate amount of ~~SEAL~~ DREAM loans borrowed by each recipient, in order to comply with the annual and aggregate borrowing limits set forth in Section 70034.

70037. (a) *The Trustees of the California State University and the Regents of the University of California shall adopt regulations providing for the withholding of institutional services from students or former students who have been notified in writing at the student's or former student's last known address that he or she is in default on a loan or loans under the DREAM Program.*

(b) (1) *The regulations adopted pursuant to subdivision (a) shall provide that the services withheld may be provided during a period when the facts are in dispute or when the student or former student demonstrates to either the Trustees of the California State University or the Regents of the University of California, as applicable, that reasonable progress has been made to repay the loan or that there exists a reasonable justification for the delay as determined by the institution. The regulations shall specify the services to be withheld from the student, which may include, but are not limited to, the following:*

(A) *The provision of grades.*

(B) *The provision of transcripts.*

(C) *The provision of diplomas.*

(2) *The services withheld pursuant to paragraph (1) shall not include the withholding of registration privileges.*

(c) *"Default," for purposes of this section, means the failure of a borrower to make an installment payment when due, or to meet other terms of the promissory note under circumstances where the institution holding the loan finds it reasonable to conclude that the borrower no longer intends to honor the obligation to repay, provided that this failure persists for 180 days for a loan repayable in monthly installments, or 240 days for a loan repayable in less frequent installments.*

(d) *This section shall not impose any requirement upon the University of California unless the Regents of the University of California, by resolution, makes this section applicable.*

~~70037.~~

70038. (a) Each participating institution is entitled to an administrative cost allowance for an award year if the institution

1 elects to advance funds under the ~~SEAL program~~ *DREAM Program*
2 to students for that award year.

3 (b) The amount of the administrative cost allowance described
4 in subdivision (a) shall equal 5 percent of the institution's total
5 amount of ~~SEAL DREAM~~ loan funds awarded to students for the
6 award year that the participating institution advances funds to
7 students under the ~~SEAL program~~. *DREAM Program*.

8 (c) Each participating institution may charge its administrative
9 cost allowance to its ~~SEAL DREAM~~ revolving fund.

10 (d) Each participating institution shall use its administrative
11 cost allowance to offset the cost of administering the ~~SEAL~~
12 ~~program~~. *DREAM Program*.

13 (e) Each participating institution is responsible for administrative
14 costs that exceed its administrative cost allowance.

15 ~~70038.~~

16 *70039.* If a state court finds that Section 70033, or any similar
17 provision adopted by the Regents of the University of California,
18 is unlawful, the court may order, as equitable relief, that the
19 participating institution subject to the lawsuit terminate all loans
20 awarded pursuant to that statute or provision deemed unlawful by
21 a state court, but no money damages, loans, or other retroactive
22 relief, may be awarded. In an action in which a state court finds
23 that Section 70033 or any similar provision adopted by the Regents
24 of the University of California, is unlawful, the California State
25 University and the University of California shall be immune from
26 the imposition of any award of money damages, loans, or other
27 retroactive relief.